

## Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 EUR-08 IO-06 L-01 INR-05  
/039 W

-----104865 250751Z /11/13

R 241446Z AUG 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 1330

C O N F I D E N T I A L SECTION 01 OF 03 BONN 15457

STADIS////////////////////////////////////

LIMDIS

C O R R E C T E D C O P Y (DTG TO READ 24 VICE 27 AND DISTRIBUTION --  
RECALL OF NSC)  
E.O. 11652: GDS  
TAGS: UNCTAD, ETRD, GW  
SUBJECT: FOREIGN OFFICE POLICY PLANNING PAPER ON THE  
COMMON FUND (CF)

REF: BONN 14979

1. EMBASSY WAS ABLE TO OBTAIN COPY (IN GERMAN) OF  
SUBJECT PAPER. COPY BEING AIR POUCHED TO EB/ORF.  
ESSENTIAL PARTS OF INTEREST, INCLUDING SUMMARY OF  
CONCLUSIONS, TRANSLATED BY EMBASSY AS FOLLOWS:

2. BEGIN TRANSLATION. INTRODUCTION AND SUMMARY. THIS  
STUDY OF THE PLANNING STAFF DEALS WITH THE UNCTAD  
NEGOTIATIONS FOR AN INTEGRATED COMMODITY PROGRAM (ICP)  
WHICH PROVIDES FOR COMMODITY AGREEMENTS WITH BUFFER  
STOCKS, AS WELL AS A COMMON FUND FOR THE FINANCING OF  
THESE AGREEMENTS (SO-CALLED "FIRST WINDOW"), AND FOR  
DEVELOPMENT MEASURES IN RELATION TO COMMODITIES (SO-  
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CALLED "SECOND WINDOW").

THE STUDY SEEKS TO RELATE THE ICP WITHIN THE OVERALL  
CONTEXT OF OUR POLICY VIS-A-VIS THE THIRD WORLD.

IT RECOMMENDS A CHANGE IN THE PAST RESTRICTIVE  
GERMAN NEGOTIATION STANCE.

CHAPTER I DESCRIBES THE DEVELOPMENT AND STATUS OF THE ICP NEGOTIATIONS AND OF THE GERMAN NEGOTIATION POSITION. IT SHOWS THAT THE LDGS AS WELL AS THE FEDERAL GOVERNMENT (JOINTLY WITH THE WESTERN INDUSTRIAL STATES) HAVE ALREADY MADE CONCESSIONS IN COMPARISON

TO THEIR ORIGINAL POSITIONS, BUT THAT THERE IS STILL A LONG WAY TO GO TO REACH FULL AGREEMENT.

CHAPTER II EXAMINES CRITICALLY SOME ECONOMIC AND POLITICAL POLICY CONSIDERATIONS WHICH ARE GENERALLY ACCEPTED IN OUR COUNTRY.

IT INDICATES THAT THESE CONSIDERATIONS SHOULD NOT BECOME DOMINANT, SINCE:  
-- PRICE-STABILIZING COMMODITY AGREEMENTS CAN BRING ABOUT ECONOMIC ADVANTAGES;  
-- THE DANGER OF UPWARD PRICE EFFECTS FROM SUCH AGREEMENTS COULD BE KEPT UNDER PERMANENT CONTROL THROUGH SAFEGUARD MECHANISMS;  
-- THE DANGER THAT SUCH AGREEMENTS WOULD BE INEFFECTIVE COULD BE LIMITED;  
-- THE "FIRST WINDOW" OF A COMMON FUND COULD BE SET CONFIDENTIAL

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UP IN SUCH A WAY THAT IT WOULD NOT DEGENERATE INTO A WORLD COMMODITY AUTHORITY;  
-- THE "SECOND WINDOW" OF A COMMON FUND PROVIDED TO FINANCE "OTHER MEASURES" IS UNOBJECTIONABLE FROM OUR POLITICAL-ECONOMIC VIEWPOINT;  
-- THE ICP COULD BE ESTABLISHED IN A WAY THAT ITS COSTS WERE BEARABLE.

CHAPTER III EXAMINES WHAT IMPORTANCE THE ICP WOULD HAVE FOR LDGS AND INDUSTRIAL COUNTRIES IN THE CONTEXT OF NORTH-SOUTH NEGOTIATIONS.

THE ANALYSIS COMES TO THE CONCLUSION THAT:  
-- THE ICP HAS GREAT POLITICAL IMPORTANCE FOR ALL CONCERNED;  
-- LDGS EXPECT THE FRG TO LIVE UP TO ITS RESPONSIBILITY AS AN IMPORTANT WORLD TRADING NATION;  
-- WE MUST STRIVE TOWARDS THE SUCCESS OF THE NEGOTIATIONS IF WE WANT TO PROMOTE A RELATIONSHIP OF PARTNERSHIP WITH LDGS, KEEP OUR DECLARED THIRD WORLD POLICY CREDIBLE, AND NOT ISOLATE OURSELVES FROM GROUP OF INDUSTRIAL COUNTRIES.

CHAPTER V DESCRIBES THE GERMAN NEGOTIATING  
STRATEGY WHICH:

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FM AMEMBASSY BONN  
TO SECSTATE WASHDC 1331

C O N F I D E N T I A L SECTION 02 OF 03 BONN 15457

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C O R R E C T E D C O P Y (DTG TO READ 24 VICE 27 AND DISTRIBUTION --  
RECALL OF NSC)

-- PERMITS CONSTRUCTIVE COOPERATION IN THE ICP  
NEGOTIATIONS;  
-- INTRODUCES OUR OWN PROPOSALS AND DEFENDS OUR OWN  
INTERESTS WITHIN THE FRAMEWORK OF THE AGENDA  
DOMINATED BY THE THIRD WORLD -- E.G., TO ASSURE  
ACCESS TO COMMODITY SUPPLY;  
-- BE MORE RECEPTIVE TO THE ARGUMENTS OF LDCS;  
-- DOES NOT MAKE NECESSARY CONCESSIONS ONLY UNDER  
PRESSURE AND IN CASE OF THREATENED ISOLATION;  
-- STRIVES FOR A COMPROMISE WITH REGARD TO THE  
COMMON FUND IN WHICH WE CONCEDE A "SECOND WINDOW,"  
WHEREAS THE LDCS, IN RETURN, AGREE TO OUR "POOLING"  
CONCEPT FOR THE "FIRST WINDOW";  
-- COOPERATES WITHOUT MENTAL RESERVATIONS IN THE  
PREPARATORY NEGOTIATIONS FOR COMMODITY AGREEMENTS  
WITH BUFFER STOCKS.

CHAPTER V CONTAINS CONCRETE PROPOSALS FOR A  
POLICY POSITION WHICH ALLOWS US TO COOPERATE  
CONSTRUCTIVELY IN THE FORTHCOMING NEGOTIATIONS.

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3. CHAPTER III 2

C) OF THE FOUR WESTERN COUNTRIES, USA, FRG, UK AND JAPAN, WHICH HAVE BEEN SKEPTICAL OR OPPOSED TO THE UNCTAD ICP, THE FRG HAS BEEN SINGLED OUT FOR ITS DOGMATIC APPROACH.

-- WITHIN THE EC, FRANCE AS THE INITIATOR OF THE CIEC, HAS MANAGED TO MAINTAIN THE PROFILE OF FORERUNNER IN THE NORTH-SOUTH DIALOG. BECAUSE OF ITS COMMONWEALTH CONNECTIONS, THE UK GIVES THE APPEARANCE OF BEING UNDERSTANDING OF THE DEMANDS OF THE THIRD WORLD. WITHIN GROUP B, THE UK HAS STEERED A MIDDLE COURSE BETWEEN FRANCE AND THE FRG. THE FRENCH AND THE UK ARE NOW PREPARED TO BE FORTHCOMING TO THE LDCS, AT LEAST ON THE SECOND WINDOW OF THE COMMON FUND.

-- JAPAN IS TOO MUCH AWARE OF ITS DEPENDENCE ON IMPORTS OF RAW MATERIALS TO OPPOSE OPENLY THE DEMANDS OF THE LDCS IN THE ICP NEGOTIATIONS. IN CONNECTION WITH BUFFER STOCKS FOR NATURAL RUBBER, THE JAPANESE POLICY TOWARD SOUTHEAST ASIA IS TO GO ALONG WITH THE WISHES OF THE ASEAN COUNTRIES.

-- THE US, WHICH HAS BEEN PARTICULARLY SKEPTICAL OF THE ICP FOR SOME TIME AND STILL TAKES A RESTRICTIVE NEGOTIATING POSITION, IS AT THE MOMENT OBVIOUSLY RECONSIDERING ITS POLICY. SECRETARIES COOPER AND BERGSTON TAKE THE VIEW THAT PRICE STABILIZING COMMODITY AGREEMENTS, BECAUSE OF THE EXPECTED GAINS IN BOTH A MACRO AND MICRO ECONOMIC SENSE, WOULD BE BENEFICIAL TO CONSUMER COUNTRIES AND HAVE GIVEN TESTIMONY TO THE CONGRESS THAT PRESIDENT CARTER CONSIDERS SUCH AGREEMENTS TO BE AN "INTEGRAL PART" OF HIS ANTI-INFLATION PROGRAM.

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THE ADMINISTRATION IS ATTEMPTING TO PLAY A LEADING ROLE IN THE NORTH-SOUTH DIALOG, BUT THIS CANNOT BE DONE SUCCESSFULLY WITHOUT DIPLOMATIC "ENGAGEMENT" AND FINANCIAL SUPPORT IN THE ECONOMIC SPHERE.

THE ADMINISTRATION IS IN THE PROCESS OF PREPARING THE GROUND IN CONGRESS FOR AN ACTIVE RAW MATERIALS POLICY. INCLUDED WOULD BE AGRICULTURAL COMMODITIES (WHEAT, SUGAR, COFFEE, COCOA, RUBBER AND POSSIBLY TEA), BUT

TIN AND COPPER AS WELL. WHEAT AND SUGAR AGREEMENTS  
WOULD HAVE PARTICULAR INTEREST FOR THE US AS A PRODUCER  
COUNTRY. WITH A RUBBER AGREEMENT THE STATES BORDERING  
THE VIETNAM CONFLICT AREA WOULD BE ACCOMMODATED.  
COFFEE AND COCOA AGREEMENTS -- LIKE THE "OTHER  
MEASURES" OF THE SECOND WINDOW -- WOULD FIT IN  
NICELY WITH A MORE ACTIVE US POLICY IN AFRICA. IN  
ANY CASE, THE AMERICANS HAVE INDICATED THEIR READINESS  
TO EXAMINE IN GOOD FAITH THE USEFULNESS OF INDIVIDUAL  
COMMODITY AGREEMENTS ON A CASE-BY-CASE BASIS.

OPPOSITION IN CONGRESS TO A MORE ACTIVE AMERICAN ROLE  
IN THE ICP NEGOTIATIONS, ESPECIALLY OPPOSITION TO  
FINANCING OF "OTHER MEASURES" ARE BY NO MEANS  
ELIMINATED. NEVERTHELESS IT WOULD BE DANGEROUS FOR  
US TO BUILD OUR POLICY ON THE BASIS THAT US  
POLICY WILL REMAIN THE SAME AS IT WAS IN THE PAST, I.E.  
REJECTION OF DIRECT CONTRIBUTIONS TO A FIRST WINDOW  
AND REJECTION OF THE SECOND WINDOW.

D) THE DANGER THAT WE WILL BECOME ISOLATED WITH OUR

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FM AMEMBASSY BONN  
TO SECSTATE WASHDC 1332

C O N F I D E N T I A L SECTION 03 OF 03 BONN 15457

STADIS////////////////////////////////

LIMDIS

C O R R E C T E D C O P Y (DTG TO READ 24 VICE 27 AND DISTRIBUTION --  
RECALL OF NSC)  
RESTRICTIVE AND DOGMATIC NEGOTIATING STANCE MUST NOT  
BE DISREGARDED. WE SHOULD NOT EXPOSE OURSELVES TO  
THIS DANGER BECAUSE WE ALONE CANNOT PREVENT

AGREEMENT ON AN ICP AND BECAUSE THE CREDIBILITY OF  
OUR DECLARED POLICY TOWARD THE THIRD WORLD IS AT  
STAKE.

WE MUST THEREFORE REMAIN WITHIN A GROUPING OF  
COMPATIBLE COUNTRIES. THE EC IS SUCH A GROUPING --  
ESPECIALLY FRANCE AND THE UK, AND IS MORE CLOSELY  
IDENTIFIED WITH OUR NEEDS THAN IS THE US -- AND NOT  
ONLY FOR EUROPEAN POLITICAL REASONS. ON QUESTIONS  
OF RAW MATERIALS POLICY IN THE COMMUNITY, OUR  
INTERESTS ARE CLOSER TO FRENCH AND BRITISH OBJECTIVES  
THAN TO THOSE OF THE AMERICANS. THE FRENCH AND  
BRITISH NEGOTIATING POSITION TOWARD THE ICP ARE IN  
ADDITION MORE UNDERSTANDABLE AND CAN BE MORE  
EASILY INFLUENCED THAN THAT OF THE AMERICANS. THE  
AMERICANS' NEGATIVE POSITION TOWARD THE ICP  
("ABLEHNUNGSFRONT"), BEHIND WHICH WE HAVE  
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OPERATED THUS FAR, SHOWS SIGNS OF DISSOLUTION AND  
COULD SUDDENLY BREAK APART. END TRANSLATION.  
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## Message Attributes

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